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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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USABIAGA PROPOSES TO REDUCE MEXICO'S CORN PRODUCTION

Secretary of Agriculture Javier Usabiaga urged the reduction of corn production because of the imminent market opening foreseen in the North America Free Trade Agreement. He said, "Only efficient farmers will be able to compete" against imported grains from the United States and Canada." He called for the commencement of change of cultivation toward other more profitable crops, "Where Mexico is more efficient than the United States," such as oilseeds (i.e. safflower or canola) or forage and even soybeans. (Source: *El Financiero*, 6/7/04)

MEXICO UPHOLDS ITS PREVIOUS DECISION TO ELIMINATE COMPENSATORY DUTY ON IMPORTS OF LIVE HOGS FOR SLAUGHTER

On May 25, 2004, Mexico published its final Resolution on the appeal for reinstatement of compensatory duties on imports of live hogs for slaughter originating from the United States. The decision upholds the decision taken on May 23, 2003, to eliminate the US\$0.351 per kilogram compensatory duty, reducing the tariffs on imports of live hogs for slaughter to zero. (Source: *Diario Oficial*, 5/25/04)

MEXICO PUBLISHES PRELIMINARY RESOLUTION ON ANTIDUMPING INVESTIGATION OF U.S. PORK MEAT

The Mexican government has officially announced the preliminary resolution on the investigation on dumping charges filed by the Mexican Pork Council (CMP) against importers and exporters of U.S. pork meat classified in tariff codes 0203.11.01, 0203.12.01, 0203.19.99, 0203.21.01, 0203.22.01 and 0203.29.99. The Secretariat of Economy concluded that although no price discrimination margins were found for the period investigated, it was not possible to quantify objectively the damage or threat of damage to the domestic industry alleged by the petitioner. Therefore, the investigative procedure for determining price discrimination is concluded and no compensatory duties are applicable. (Source: *Diario Oficial*, 5/25/04)

MEXICO INITIATES DUMPING INVESTIGATION OF U.S. PORK LEGS

The Secretariat of Economy (SE) announced on May 31, 2004, in Mexico's *Diario Oficial* (Federal Register), the initiation of an official antidumping investigation against U.S. pork legs. The investigation is in response to a petition submitted by the Mexican Council of Pork Breeders, and several Mexican slaughterhouses and packing plants (TIF). The official

announcement did not include the immediate imposition of countervailing duties. At issue is U.S. production and market prices for pork legs. Exporters, importers and other interested parties have twenty-eight (28) working days from the publication date of this official announcement to respond to questionnaires from SE. (Source: *Diario Oficial*, 5/25/04)

MEXICO'S SECRETARIAT OF ECONOMY RECOMMENDS REORIENTATION OF EXPORTS

According to a local newspaper, after making a study of the principal 100 products that Mexico exports to the United States, the Secretariat of Economy (SE) recommended that Mexican companies reorient their exports to compete with Chinese products in the U.S. market. Eduardo Solis, head of the Promotions and Investment Unit at SE, suggested that Mexican companies concentrate on their strength in the production of articles of greater size, or made to order items such as refrigerators, and the United States taking advantage of the geographical closeness between Mexico. (Source: *Reforma*, 6/8/04)

MEXICO SHOWS HIGH TRANSPORTATION COSTS FOR CORN

Contrary to popular belief, the cost to transport corn from the United States to Mexico is 10 percent cheaper than to move it from Sinaloa to Mexico City. Industry experts concluded that Mexican transport lacks infrastructure compared with the United States, which increases transportation costs by 10 percent to cover maintenance expenses. Industry sources pointed out that transportation costs hurt the movement of domestic corn, since to move corn from Nebraska, Iowa and Illinois to Mexico City costs US\$30 per ton, while from Sinaloa to Mexico City cost is US\$33 per ton. (Source: *Reforma*, 6/7/04)

CERTIFIED MEXICAN PRODUCTS

"From a total of 40 Mexican fresh products traded in international markets, only eight hold the Supreme Quality Certification. This certification gives the consumer the certainty that the products are of high quality although their prices are 10 percent higher than the rest," said Mexico Supreme Quality Civil Association Manager Oscar Santamaria. He added that the certification, which is performed by internationally recognized private companies, benefits the producers by increasing their sales up to 25 percent. However, most producers are reluctant about the benefits since, from their point of view, the campaign to promote the "Supreme Quality Seal" on international markets is limited. Moreover, "the acquirement of such seal represents an important economic effort for most producers, thus far only the most organized are complying with the international quality standards," said Cesar Salazar, a table grape producer. Currently, the certified products are: bananas of the *dominico* variety, mangoes, avocados, eggplant, pork and red meat, table grapes and honey. (Source: *Reforma*, 6/7/04)

NOSTALGIA OF MEXICANS IN THE UNITED STATES OPENS A MARKET WORTH 12 BILLION DOLLARS

According to a local newspaper, the migration of Mexicans to the United States, combined with geographical nearness and cultural background, has motivated a growing economy, known as "the nostalgia market." In the United States, 26 million Mexicans have become captive customers for fresh and canned chiles, fruits and vegetables, prepared salsas, mole, soft drinks and other products. The demand for products has reached US\$12 billion annually and is growing at a rate of 8 percent each year. However, Mexican businessmen have not taken advantage of this opportunity and have been displaced by businessmen from other countries. (Source: *El Financiero*, 6/7/04)

U.S. SUPREME COURT DECISION UNCLEAR TO MEXICAN TRUCKERS

According to a local newspaper, the Secretariat of Economy (SE) and the Secretariat of Communications and Transport (SCT) stated that regardless of the U.S. Supreme Court's decision to allow entrance of Mexican trucks to the United States, there still exists discriminatory regulations that hinder the opening of the border to Mexican trucks. SE and SCT assured that they would watch closely that the provisions of the NAFTA are fulfilled. The National Association of Private Transport and the Association of Mexican Truckers consider the resolution an opportunity for their trucks to enter the most important market in the world. (Source: *El Financiero*, *Reforma* and *El Universal*, 6/7/04)

REPORT FINDS MEXICO THE NET LOSER IN NAFTA

According to a report of the Carnegie Endowment for International Peace, the North American Free Trade Agreement (NAFTA) has failed to generate substantial job growth in Mexico, has hurt hundreds of thousands of subsistence farmers there and has had a 'minuscule' net effect on jobs in the United States. The report, which was commissioned by the United Nations to analyze the effects of free trade agreements in the region, pointed out that the result for Mexico was negative, despite the fact that the three NAFTA countries have increased their economic outputs. The report was issued to coincide with new trade negotiations in Miami aimed at the adoption of a NAFTA-like pact for the entire Western Hemisphere, and seeks to debunk the fears of American labor that NAFTA will lure large numbers of jobs to low-wage Mexico, as well as hopes of the trade deal's proponents that it will lead to rising wages and declines in income inequality and illegal immigration. Conclusions from the report include:

- ? NAFTA has not helped the Mexican economy keep pace with growing demand for jobs.
- ? NAFTA-led productivity growth in the past decade has not translated into increased wages.
- ? NAFTA has not stemmed the flow of Mexican emigration to the United States.
- ? The fear of a "race to the bottom" in environmental regulation has proved unfounded.
- ? Mexico's evolution toward a modern, export-oriented agricultural sector has failed to deliver the anticipated environmental benefits of reduced deforestation and tillage.

The report makes clear that NAFTA has been neither the disaster its opponents predicted nor the savior hailed by its supporters. But while the trade agreement's overall impact is muddled, for Mexico's rural households the picture is clear-and bleak. NAFTA accelerated Mexico's transition to a liberalized economy without creating the necessary conditions for its rural citizens to respond to the transition of trading with two of the biggest economies in the world. (Source: *La Jornada*, 6/4/04)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX4069	Weekly Highlights & Hot Bites, Issue #21	6/3/04
MX4070	Summary of Mexican Government Study on the Effects of NAFTA on Mexican Agriculture	6/7/04

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